



INDUSTRY CIRCULAR

DEPARTMENT OF THE TREASURY

Bureau of Alcohol, Tobacco and Firearms

Washington, D.C. 20226

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OPERATIONAL LOSSES FOR CORDIALS, LIQUEURS, COCKTAILS, MIXED DRINKS AND SPECIALTIES

Proprietors of distilled spirits plants,
and others concerned:

Purpose. This circular is to inform you that Treasury Decision ATF - 31 published in the FEDERAL REGISTER on October 4, 1976, amended 27 CFR Part 201 by establishing a separate operational loss schedule applicable to cordials, liqueurs, cocktails, mixed drinks and specialties including flavored gins, flavored rums, flavored brandies, flavored whiskies, and flavored vodkas. This Treasury decision was effective for losses incurred as of July 1, 1976.

Background. A loss allowance applying only to cordials, liqueurs, etc., was proposed in the FEDERAL REGISTER on May 28, 1976. All comments received during the 30-day comment period generally favored the establishment of a separate, higher loss allowance for cordials, liqueurs, etc., and the Bureau has adopted the proposed regulations without substantive change.

Regulatory provisions. Experience has confirmed that operational losses for cordials, liqueurs, cocktails, mixed drinks and specialties are generally higher than losses for other products such as whisky, brandy, gin, rum, blended whisky, or vodka. Therefore, the new loss allowance provided for cordials, liqueurs, etc., is higher than, and separate from the current schedule which will continue to apply to all other products. The new loss schedule is similar to the current schedule since it is graduated, the percentage loss allowable being dependent upon the bottler's completions of cordials, liqueurs, etc. During a computation year (formerly fiscal year), the schedule grants an allowance of up to 2% losses for completions of less than 24,000 proof gallons, 1½% for completions between 24,000 and 600,000 p.g., and 1% for completions in excess of 600,000 p.g. This loss schedule is optional and a proprietor who bottles cordials, liqueurs, etc., may claim operational loss for all of his products using the current overall schedule. All claims (tentative and final) filed by a proprietor during a computation year must utilize the same schedule, either the overall schedule, or the overall and the

cordial and liqueur schedule, for each period. If the proprietor changes schedules during a computation year, he will have to amend all claims previously filed that year.

ATF Form 2611 revision. A new form, ATF Form 2611, Page 2, has been provided as a continuation of ATF Form 2611 for use in determining losses applicable to cordials, liqueurs, etc., when those losses are determined separately from losses on all other products. Losses determined using both schedules will be added together to arrive at the total operational loss.

Information required to execute ATF Form 2611, Page 2, will be similar to that required on the current ATF Form 2611 but it will consist of proof gallon quantities of spirits, wines and alcoholic flavorings which are used in cordial, liqueur, etc., production. When this form is used, quantities of these ingredients, losses, and completions for cordials, liqueurs, etc., will not be entered on ATF Form 2611, Page 1, (all other spirits) except that eligible spirits and certain ineligible spirits so used will be shown as "dumped" and then subtracted from the spirits account on that page "for use in the production of cordials, etc."

The present ATF Form 2611 has been redesignated as ATF Form 2611, Page 1, and the instructions revised to clarify execution of the form when both schedules are used. Page 1 will be used when the proprietor is claiming operational loss using only one loss schedule, and when claiming losses for noncordial products when both schedules are used.

Required records. The amended regulations do not specify any new recordkeeping requirements. However, you must be able to identify separately from all other distilled spirits, transactions with respect to cordials, liqueurs, etc., in order to execute ATF Form 2611, Page 2. This information will consist of: eligible spirits used, ineligible spirits used, wines and alcoholic flavoring materials used, completions, quantities in process at the beginning and end of each period, quantities destroyed or lost by disaster, and other miscellaneous transactions. If you elect to claim losses under the new schedule, you must also determine an inventory of ingredients in process as of July 1, 1976, for both cordial and noncordial products.

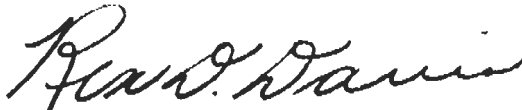
Effective date. Although published in the FEDERAL REGISTER, on October 4, 1976, the Treasury decision implementing the new operational loss allowance for cordials, liqueurs, etc., is effective July 1, 1976, to coincide with the beginning of the current computation year. Proprietors wishing to claim losses under the new schedule must file ATF Form 2611, Page 1 and Page 2, for each period for which loss is claimed beginning July 1, 1976; this may require filing

an amended claim for any periods this computation year for which a tentative operational loss claim has already been filed.

Availability of forms. ATF Form 2611, Page 1 and Page 2, may be ordered from the ATF Distribution Center at the following address:

Bureau of Alcohol, Tobacco and Firearms
Distribution Center
3800 South Four Mile Run Drive
Arlington, Virginia 22206

Inquiries. Inquiries concerning this circular should refer to its number and be addressed to the Assistant Director (Regulatory Enforcement), Bureau of Alcohol, Tobacco and Firearms, 1200 Pennsylvania Avenue, NW, Washington, DC 20226.

A handwritten signature in dark ink, appearing to read "Rex D. Davis", is written in a cursive style.

Rex D. Davis
Director